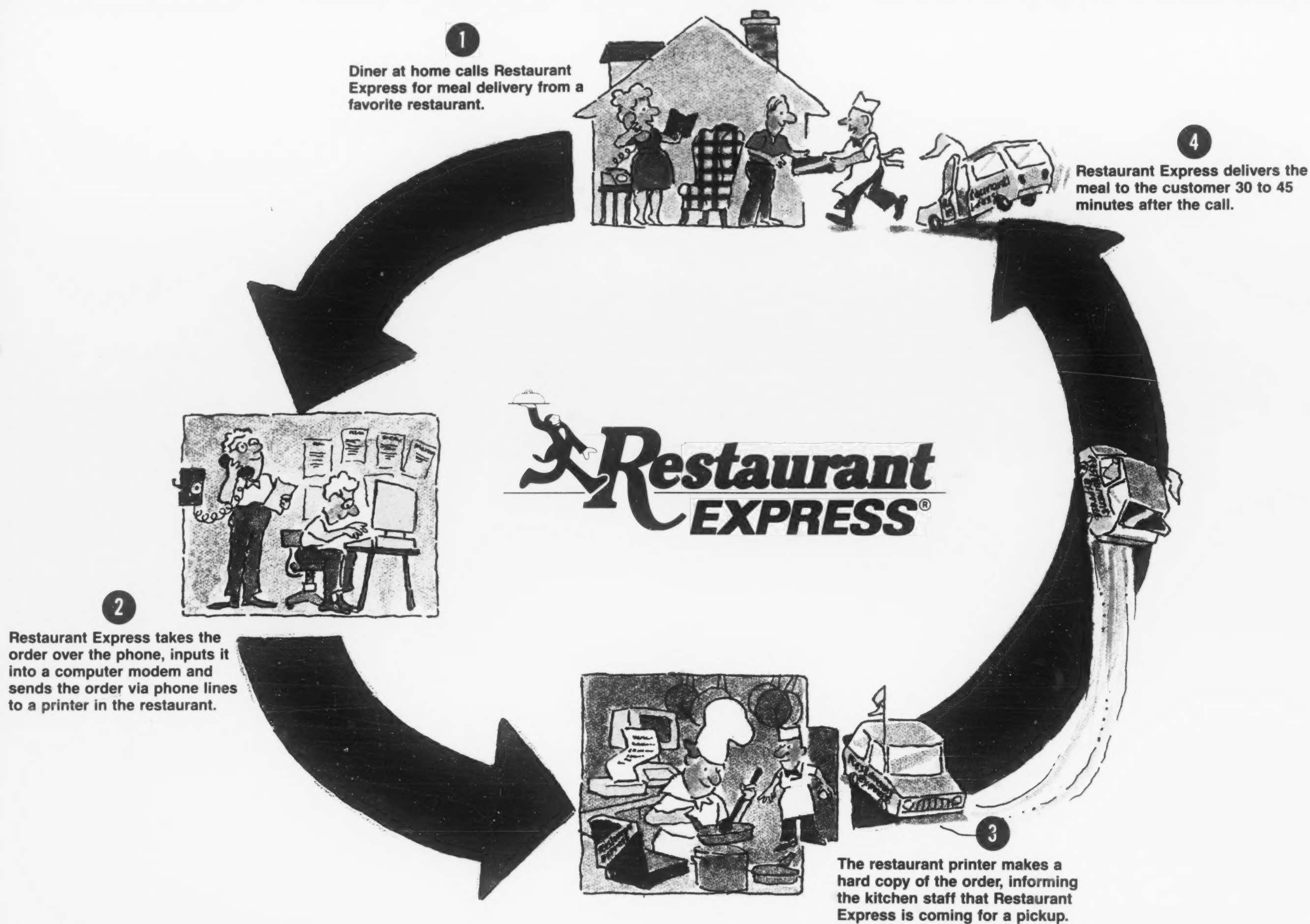


## FOCUS



# If you can't go to the restaurant, let the restaurant come to you

Third-party delivery services boost restaurant sales during industry slump

by Milford Prewitt

**A**n enterprising network of entrepreneurs is helping some restaurants buck the industry's sales slump by foraging a lucrative trade in home delivered meals, a sales avenue some studies say has been getting less traffic for the past three years.

In all regions of the country, in virtually every major city, third-party meal delivery services have sprung up and secured partnerships with full-service restaurants for the express purpose of delivering meals to the restaurants' customers' homes.

With catchy names like Waiters On Wheels (San Francisco), Chef Express (Kansas City, Mo.), Speedy Gourmet (Newport, R.I.), Dial-A-Dinner (New York), Waiters On The Way (Gaithersburgh, Md.), Carryout Taxi (Philadelphia), Takeout Express (Boston), Restaurant Express (Laguna Beach, Calif.), Room Service (Chicago), Wheel Deliver (Pittsburgh), Takeout Taxi (Reston, Va.) and Dining In Inc. (Boston), operators behind these meal delivery systems say they are helping restaurants enjoy as much as 10 percent annual sales increase without the

restaurant having to incur any additional equipment costs or staffing requirements.

Even Federal Express, the overnight deliverer, is getting into the act. Just recently Federal Express announced the introduction of an Overnight Food Program in which specialty food makers and restaurants can be included in a directory of food distributors and restaurants whose products can be delivered anywhere overnight. The directory will be sent to 20,000 qualified prospective buyers and restaurants will pay an annual \$250 fee to be listed.

"I think we've proven that we can deliver more than just Chinese and pizza to people's homes," says David Blum, a principal partner of the Blum Companies, which at 13 years old is perhaps the oldest restaurant meal delivery system in the country.

With operations in five different cities (some operating under different names) and an annual sales volume in excess of \$10 million, Blum says that he believes his company is the largest and most successful menu delivery company in the country.

(See **HOME DELIVERY**, page 36)

## FOCUS



Right: A waiter at Room Service, a home-delivery operation in Chicago, displays his wares.



Above: The Takeout Taxi delivers meals for the Tortilla Factory in Herndon, Va. Right: Tom Baron, left, and Michael Hanley, partners in Wheel Deliver in Pittsburgh, display the logo for their home delivery service.



## Home delivery

(Continued from page 33)

While others dispute that claim, Blum says that his company delivers meals whose entrée prices range from \$20 to as high as \$2,000. He says that some of the most renowned restaurants in Manhattan — including La Côte Basque and Petrossian — are among the 40 eating places Dial-A-Dinner serves in New York.

This subset of the restaurant industry is growing so fast that one of the operators, Restaurant Express, is about to launch an industry newsletter appropriately called, The Meal Delivery Digest.

Yet, by many respects, meal delivery systems provide a service at variance with the reasons people go out in the first place, namely the social experience and good food.

But operators of meal delivery systems say they complement the restaurant and view themselves as the restaurant's partners.

"Like anything that is new, there was some resistance to it," says Pete Hetherington, vice president of Restaurant Express in Laguna Beach, Calif., which, at 4 years old, is among the oldest in the segment and has 32 clients. "But operators came to see that some of their customers are cash rich but time poor and just can't get out like they used to."

"Restaurants have seen Domino's prosper and survive strictly off of delivery," says Dwight Tom, co-partner of Dining In Inc., a 2-year-old meal delivery company in Boston with 52 restaurant clients. "Now some of them are expanding their sales base by providing a new service for the diners and it has

been a hit."

"People who are going to eat at home are going to eat at home," says Tom Baron, co-partner of the one-year-old Wheel Deliver, Pittsburgh. "But here we're giving restaurants a chance to reach these people and some of our clients are finding that it is like having an eighth day of sales or adding 100 new seats or something."

Baron says his company delivers about 140 meals on a typical winter night and about 90 meals on a typical summer night at a per person check average of \$26.

The meal delivery industry has a few standardized operating practices:

- Some companies operate their own delivery fleets while others require drivers to use their own vehicles.
- Many companies prefer drivers who are former waiters and waitresses while others in the business have no such requirements.
- A few menu delivery companies are highly computerized for both marketing purposes and communicating with the restaurants, while a larger segment handles everything over the phone.
- Many menu delivery operators want drivers to work in tuxedos and to provide the kind of room service attention at home one associates with hotels, but most other companies are not that elaborate.
- There are some menu delivery companies that have helped their restaurant clients find distinctive packaging to accent the meal while some other operators do not get too involved in the packaging problem.

(See *DELIVERY*, page 38)

### Characteristics of diners who prefer to eat restaurant meals at home

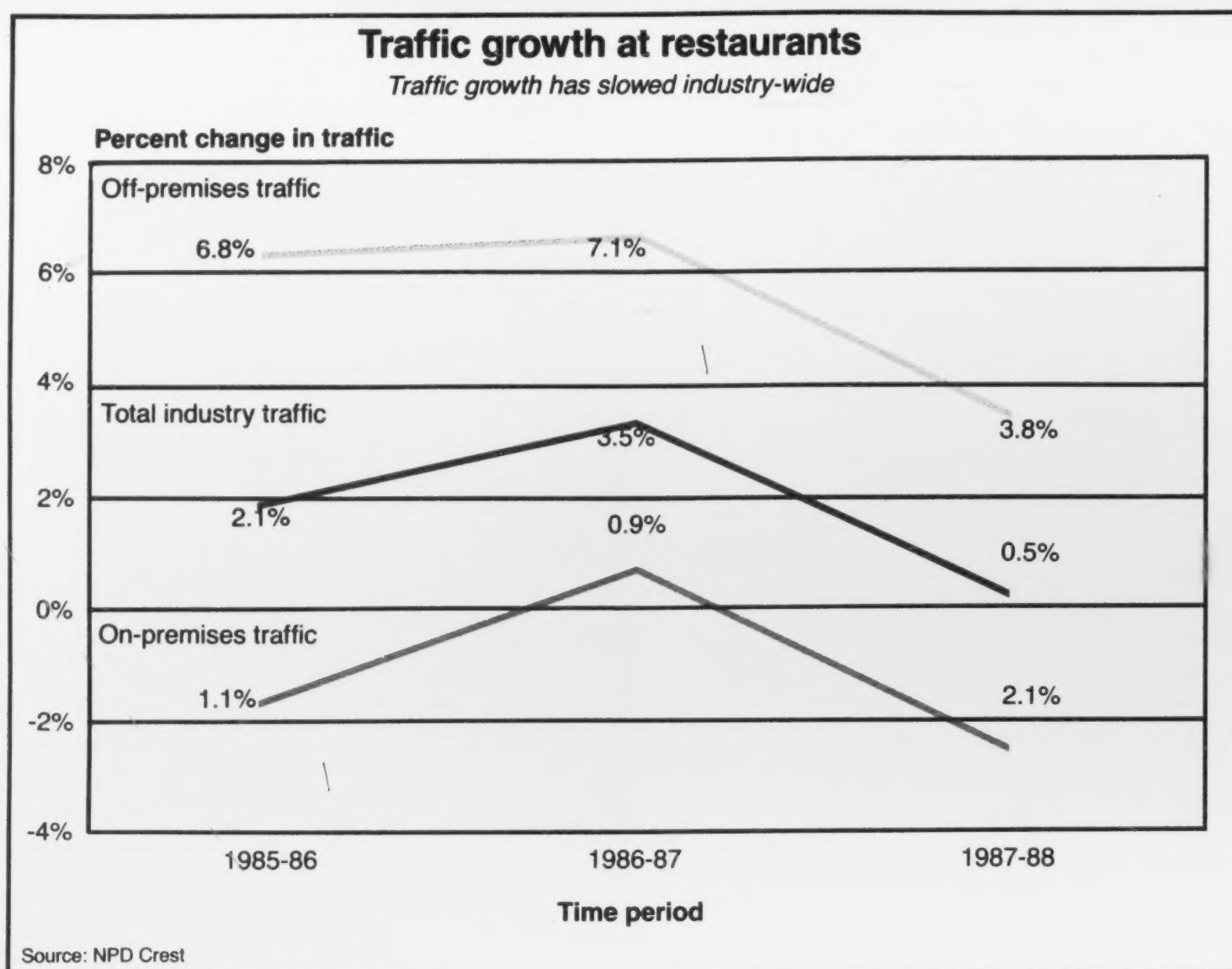
(from a consumer attitudes survey)

- Those under 30, single adults, and households with children use carryout more frequently and 60 percent had a take-home meal within the past 30 days.
- One in five consumers order delivery once every 30 days.
- Delivery is popular with people between 30 and 39 years old and with annual households between \$20,000 and \$45,000.
- Friday is the most popular day for home delivery, usually after 6 p.m., and with pizza the most requested item.
- The average party for delivered food included 3 people and the median check was about \$12.
- The decision to use home delivery was spontaneous, with two out of three persons in the survey confessing that they made the decision to order delivery in less than an hour in advance.
- Speed of service and food quality were the two most important reasons home diners ordered from a particular restaurant.

Source: National Restaurant Association

“Operators came to see that some of their customers are cash-rich but time-poor and just can't get out like they used to.”

## FOCUS



## Home delivery

(Continued from page 36)

The one common operating thread that binds them is the manner in which they earn income. In general, menu delivery companies collect 25 to 30 percent of the menu price and assess a \$5 to \$10 delivery fee.

Even in that thin strip of commonality, there are wide differences. Some menu deliverers buy the meal up front at a discount or at cost but charge the home diner the whole menu price.

But third-party meal delivery systems are a risky proposition, some restaurateurs argue.

Jim Lanza, general manager of Coastal, a popular American eclectic restaurant on Manhattan's West Side that delivers in a 30-block area, says customers often pay higher prices when restaurants team up with home delivery networks. He further argued that there is a loss of control on the restaurant's part when it comes to monitoring the deliverer's attitude and service attentiveness.

Another drawback to home delivery, says Heidi Reiss, general manager for Rothchild's, an upscale restaurant that is a client of Restaurant Express, is that not all meals travel well. She says dishes with heavy creams and sauces are the ones that present the greatest challenge.

As far as Lanza's point that restaurants lose control with delivery services, Reiss says she constantly talks to her patrons about the quality of the meal and the service and, in so doing, can take corrective actions if something is out of line.

But Chuck Curcio, co-owner of the Tortilla Factory in Herndon, Va., a Mexican Restaurant whose meals are delivered by Takeout Taxi, says his company has not looked back since signing on three years ago. He says the restaurant has recorded 7 percent to 8 percent annual sales gains from takeout and delivery without having to add any new staff or equipment.

"We're a 200-seat restaurant in a shopping mall and we have no room to increase our business, but this has given us a way to add seats without any increases in advertising, equipment or staff," he says. "It's been very profitable."

Curcio noted that management of the 15-year-old restaurant had been exploring the possibility of offering delivery on its own, but the insurance costs,

advertising expense and staffing requirements made it an expensive proposition until Takeout Taxi appeared.

Despite the surge in the activity, meal delivery at home has been slowing for at least three years, according to a study by the National Restaurant Association and GDR Crest.

When measured by percentage change in annual traffic counts, off-premise dining (excluding catering) peaked in 1984 to the extent that the rate of growth had, in fact, outpaced on-premise dining and was said to be the driving force behind the growth of the industry.

In the second quarter of 1989, off-premise dining declined for the first time since 1979, dropping 1 percent, with drive-thru, carryout and delivery all slowing down. Off-site dining, which had been percolating along at a 7 percent rate in 1986 and 1987, grew by only 4 percent in 1988. Carryout activity declined 2 percent in 1988, lower than the 4-percent to 5-percent growth rate recorded in 1986 and 1987.

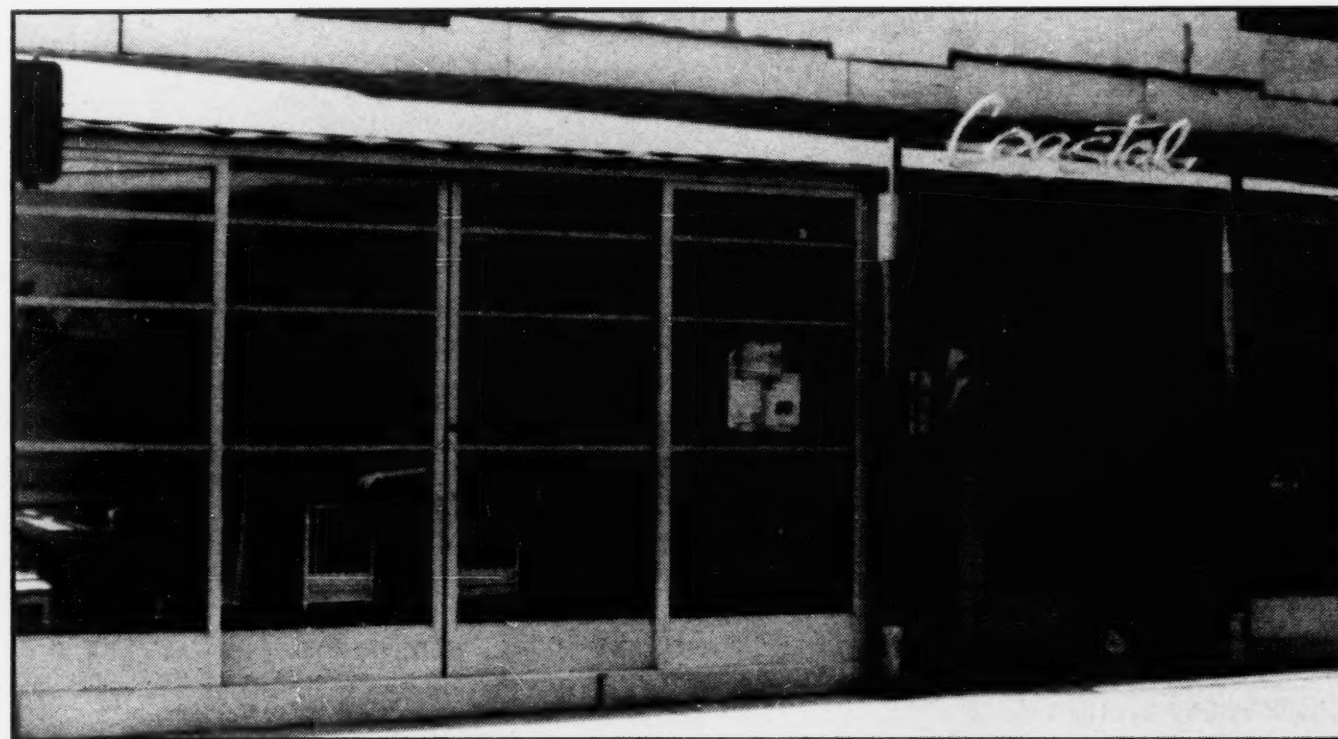
Moreover, the NRA conducted a consumer attitudes survey revealing that those who ate restaurant meals at home are a diverse lot and are hard to categorize. (See chart page 36).

Despite the studies suggesting a downturn in delivery, operators of the meal delivery companies say their businesses are adding new restaurant clients and steadily improving their services.

Jonathan Krasner, vice president of Takeout Taxi, says that while delivery might be softening, it continues to be stronger than on-premise dining. He says his business continues to grow to the extent that the company will soon begin franchising the concept.

With five locations in the Washington suburban area serving 75 restaurant clients, Takeout Taxi has developed a software package that allows it to track the orders of 150,000 households and to devise the appropriate marketing strategies to keep the household's business.

"We work in a pretty affluent area, mostly two-income homes with a high discretionary budget," Krasner says. "Most of our customers drive home from work in Washington in about 45 minutes or so and when they get home, there are kids crying and other things to attend to and they just don't have the freedom to go out — but they still want a quality meal."



NRN Photo

Coastal, on Manhattan's West Side, delivers by bicycle to a 20-block radius.

Unlike many meal delivery companies, Takeout Taxi has carved out its niche in the low-to-midscale restaurant segment, opting not to offer gourmet cuisines, which seem to be the bent of many in the segment.

Takeout Taxi president Kevin Abt says that because the average per person check is under \$10 and because Takeout Taxi has the largest known restaurant client base in the segment, the company is at the high end in the sales segment, with revenues projected to hit \$4 million.

In Chicago, Room Service, a meal delivery company with 14 clients, has a fleet of 15 distinctly logoed vehicles whose drivers are all waiters who deliver the orders in tuxedos and are fully prepared to describe the course to the customer.

"It's our way of providing an upscale experience for those who don't have the time to go out," says Brian Keil, chief executive officer of the 2-year-old concern.

Keil says there are no additional expense or staffing requirements for the restaurants that decide to use his company. He says Room Service delivers about 100 meals a night and collects about 30 percent of the menu price.

Hetherington, the Restaurant Express operator in California, says his company delivers about 400 to 600 meals a week at a per person ticket average of \$30, of which approximately 25 percent is collected by the company in addition to a delivery fee.

**"It's our way of providing an upscale experience for those who don't have the time to go out."**

# Nation's Restaurant News

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

\* 06105 \*\*\*\*\* ALL FOR SDC  
0013390C NR  
MS JEANNE LONG OTHER PERSON  
CONGRESSIONAL INFORMATION S  
4520 EAST-WEST HIGHWAY  
HESDA MD 20814

SECOND CLASS

Vol. 24, No. 29

Published every Monday by Lebhar-Friedman Inc. \$3 per issue

July 23, 1990

## Industry loses on AIDS clause

Congress OKs disabilities bill protecting food-handling jobs of HIV-infected workers

by Peter Romeo

WASHINGTON — In a deft political maneuver that blindsided foodservice lobbyists, Congress has neutralized legislation that would have permitted restaurateurs to shift employees with AIDS into jobs where food would not be handled.

"They've taken away the flexibility an employer had to

reassign an employee with AIDS," lamented Bill Fisher, executive vice president of the National Restaurant Association.

The setback leaves eating places without a defense against consumers' irrational fears about contracting AIDS from a server or kitchen staffer suffering from the disease, ac-

cording to industry leaders. They maintain that the unfounded worries will force some places to close even though they do not pose a health risk.

However, Congress' sudden move also defused a situation that was growing increasingly controversial, with gay and civil-rights groups threat-

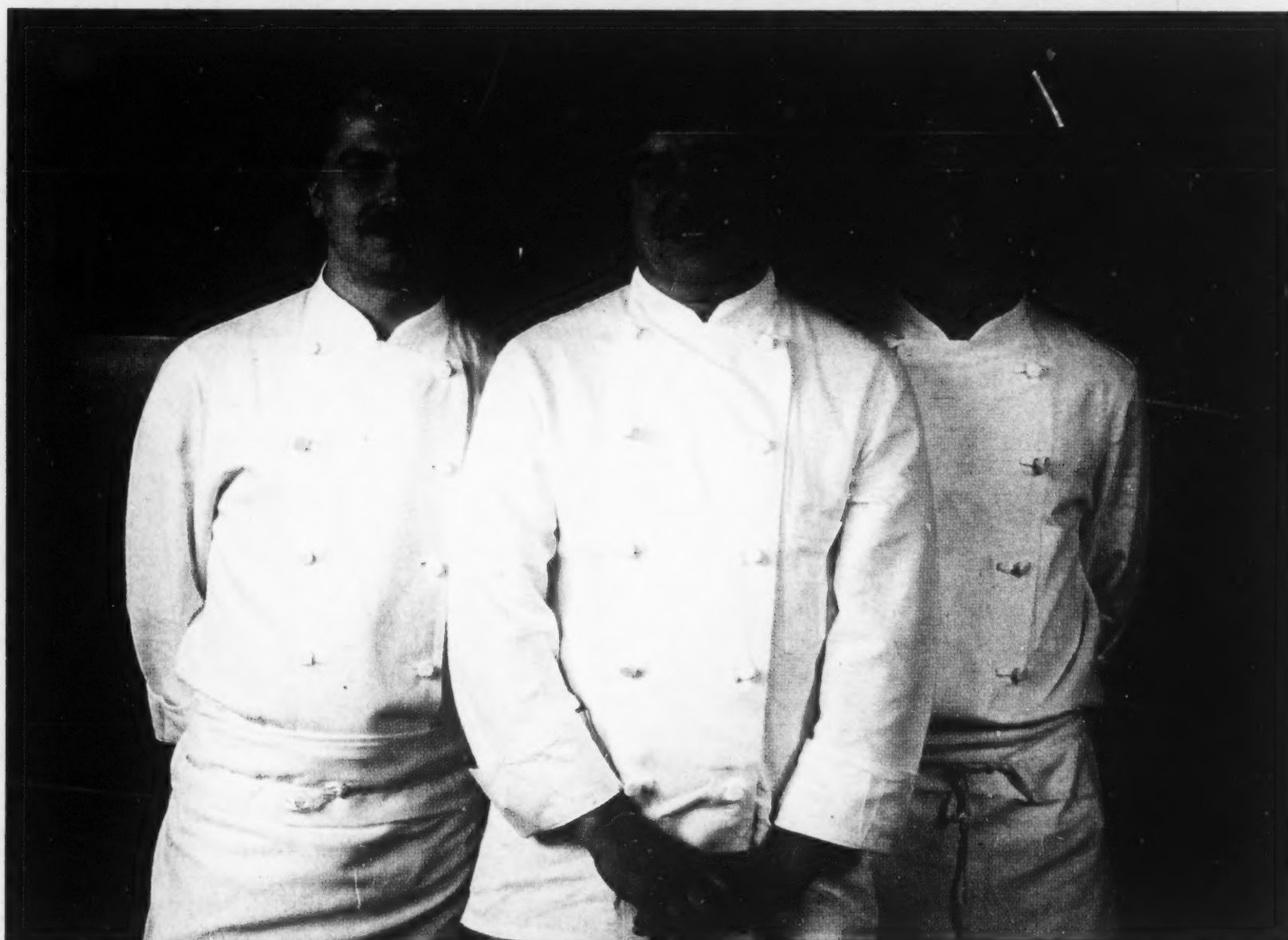
ening to boycott and picket restaurants if the industry continued to press for the AIDS reassignment measure.

The proposal, known as the Chapman amendment in the House and the Helms amendment in the Senate, was rendered ineffective when Sen. Orrin Hatch, R-Utah, suggested that it be replaced with a

measure that seemed only negligibly different.

The Helms amendment would have enabled foodservice establishments to reassign staffers with contagious diseases into new posts that would not entail handling food.

Hatch's amendment made (See AIDS, page 59)



New Four Seasons executive chef Christian 'Hitch' Albin, flanked at left by pastry chef Patrick Lemble and at right by chef de cuisine Stefano Battistini.

## Four Seasons shuffles chefs, freshens menu

by Paul Frumkin

NEW YORK — Thirty-one years after introducing the concept of seasonality to the modern American restaurant industry, the landmark Four Seasons has ushered in a new season of change for itself.

For the first time in 17 years, the cuisine of what many call the quintessential New York restaurant does not bear the distinctive imprint of Joseph "Seppi" Renggli, the operation's veteran chef dis-

missed four months ago.

The summer menus for the 400-plus-seat Pool and Grill Rooms are a collaborative effort of Renggli's successor, Christian "Hitch" Albin, chef de cuisine Stefano Battistini and owners Tom Margittai and Paul Kovi.

Unquestionably, much remains the same. "The new menu is not new," Margittai declared. "The philosophy is absolutely unchanged. The

items are new."

In fact, Four Seasons regulars will still find such house signatures as crisp shrimp, Scottish salmon, duck for two, roast rack of lamb and chocolate velvet.

Nevertheless, a perceptible change is woven throughout the fabric of the menu. In addition to inaugurating a number of new dishes, the kitchen has also rethought ex- (See FOUR SEASONS, page 59)

## Burger King, Domino's link for pizza test

by Milford Prewitt

ANN ARBOR, Mich. — The nation's second-largest pizza company and second-largest hamburger chain — Domino's Pizza and Burger King — will team up to test-market the sale of pizza through Burger King units.

Just one week after Domino's stunning disclosure that it will break with its heritage of

home delivery to create a new on-premises dining concept with personal pan pizzas called Pizzazz!, the company said it would test Pizzazz! pizza in four Burger King units in Columbia, S.C.

"When you think about the size of the two chains, it really is an exciting possibility (See BK, page 4)

## Food stamp plan may help the homeless

by Peter Romeo

WASHINGTON — Congress is considering a Bush administration proposal that would enable homeless persons to use food stamps in restaurants willing to accept them.

Destitute patrons would wield the stamps as discount coupons to slash the price of meals that cooperating restaurants would offer at special reduced rates. For instance, an eating place might cut the cost of a \$4 meal to \$2.35 and then accept a \$1 food stamp as part of the payment.

Dining places would col- (See FOOD STAMPS, page 58)

INSIDE